



सत्यमेव जयते

THE JHARKHAND GAZETTE EXTRAORDINARY PUBLISHED BY AUTHORITY

No. 201

18 Chair, 1937 (S)

Ranchi, Wednesday 8th April, 2015

DEPARTMENT OF INDUSTRIES

NOTIFICATION

The 31st March, 2015

No. 05/u.ni.(MoU)-23/2013/692--

Subject : Constitution of Jharkhand Corporate Social Responsibility Council (JCSRC).

1. Background:

1.1 CSR in Jharkhand

There are a large number of companies including Central Public Sector Enterprises (CPSEs) operating in Jharkhand - mainly in steel, power, coal and other mining sectors - with a total annual turnover of over Rs.

60,000 crore in 2013. This amount is about one-third of the net state domestic product of Jharkhand in 2013¹.

Total annual Corporate Social Responsibility (CSR) budget in India is estimated at Rs 20,000-25,000² crore in 2014. Considering that the share of Jharkhand in the total CSR budget would be about 3-4%, the CSR funds of Jharkhand companies are estimated to be at Rs 600-800 crore per year.

Jharkhand state government recognizes good CSR work done by many companies, especially CPSEs and some big private sector companies in the state. Besides, there are non-companies like charitable trusts/societies and also high value individuals who invest in CSR in the state. These companies have been doing CSR activities, even before the mandatory provisions on CSR incorporated in the Companies Act

1.2 Why CSR Council

It is felt that a body at the highest level of government in Jharkhand is needed on CSR to:

- *Channelize* CSR activities of Companies, for facilitating comprehensive development of the village/gram panchayats in Jharkhand with clear outcomes/results by dovetailing/synergizing.
- *Ensure* that CSR amount as per the Companies Act - calculated on the basis of annual turnover and net profit of the Companies operating in Jharkhand - is fully invested in Jharkhand itself.
- *Advice* Companies to take up select/specific interventions under CSR as suggested in **Annex 1** in the geographical areas of the companies operation, as well as in the backward areas outside the areas of companies operation. As per Guidelines of the Government of India, Central Public Sector Enterprises (CPSEs) are expected to invest CSR funds in BRGF districts and consult the state government on government's priorities and area specific needs.
- *Monitor* and review CSR activities of the Companies.
- *Ensure* the government departments at the state and the district administration are kept fully informed by Companies about the CSR activities.
- *Ensure* that Companies take up activities to fill the critical gaps and strengthen government schemes/ programs and not duplicate activities (as far as possible).
- *Channelize* CSR funds to improve services in the most marginalized communities like PTGs in the state.

1.3 Jharkhand CSR Council

It is proposed to set a CSR Council in Jharkhand to channelize CSR activities of Companies for overall development of the state.

¹ Economic Survey 2013-14

²Newspaper reports

1.4 CSR amount

With the new Companies Act 2013, it has now become mandatory for the companies to invest in CSR activities. As per section 135 of the Act (**Annex- 2**), every company with net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more, or net profit of Rs 5 crore or more during a financial year, is expected to spend 2% of the net profit on CSR activities.

As per para 1.5.1 of the “Guidelines on CSR and sustainability” issued by the Department of Public Enterprises of Government of India for CPSEs in April 2013 (**Annex- 3**), CPSEs with profit after tax (PAT) of less than Rs 100 crore should allocate 3-4% of PAT for CSR activities, 2-3% of PAT for CPSEs with PAT of Rs100-500 crore and 1-2% of PAT for CPSs with PAT of Rs 500 crore and above (Para 1.5.1 of the Guidelines).

The Ministry of Corporate Affairs, Government of India has issued the CSR Rules, 2014 (**Annex- 4**) to guide the companies on CSR activities as per section 135 and schedule VII.

1.5 Activities identified under CSR

What constitutes CSR activities is listed in Schedule VII of the Companies Act (as amended on 27 February 2014). It has identified 10 broad areas for CSR programs. These are:

1. eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
5. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
6. measures for the benefit of armed forces veterans, war widows and their dependents;
7. training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
8. contribution to the PMs National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

9. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;

10. rural development projects.

The areas identified in items 1 to 4 in the Schedule-VII of the Companies Act are the same as the 8 goals of the Millennium Development Goals of the United Nations. Therefore, the focus of the CSR activities of companies in the state would be to achieve the MDG by helping improvethe indicators on health, nutrition, education, women empowerment, water, sanitation and hygiene, and enhance the livelihood and income earning capacity of the people in Jharkhand.

Investment of CSR funds in these 10 areas will improve the 'human capability' (quality of human capital) of the people in the project areas which in turn will help in improved productivity and production. It will also help to build the image and credibility of the Corporates.

2. Objectives of CSR Council:

The overarching objective of the CSR Council is to ensure that the CSR funds are effectively and fully used for the overall development of the state, with clear outcomes and outputs.

Other objectives are to:

- *Channelize CSR funds for the development of Jharkhand, for making the state swasth, swatch, shikshit and vikasit.*
- *Channelize CSR funds in the most backward areas and for the most marginalized communities in the state*
- *Advise companies on utilization of CSR funds and on CSR activities:* CSR funds are to be used a) on the priority areas of the state government; b) in areas to supplement the government programmes; c) to fill gaps in the government program; d) based on annual CSR work plan of companies which have a convergence with the state government on activities to be undertaken.
- *Formulate policies and guidelines relating to CSR*
- *Monitor CSR activitiesand CSR fund:* State government will monitorthe use of CSR funds to ensure that they are a) fully utilized within the state, b) effectively utilized to achieve results; and c) invested in backward areas.

3. Structure of the Council

The CSR Council will have: a) Governing Body at state level, b) Executive Committee, c) District CSR Committee in districts and d) CSR Secretariat.

4. CSR Governing Body

The main functions of the Governing Bodyat the state level are to advise, monitor and guide on CSR activities in Jharkhand and formulate policies and strategies on CSR.

4.1 Constitution of CSR Governing Body

The constitution of CSR Governing Body will be as follows:

Chief Minister of Jharkhand	Chairperson
Chief Secretary	Member
Secretary, Industry	Member
Secretary, Department of Women & Child Development	Member
Secretary, Department of Health & Family Welfare	Member
Secretary, HRD	Member
Secretary, Drinking Water & Sanitation	Member
Secretary, Planning & Development	Member
Secretary, Rural Development	Member
Secretary, Welfare	Member
Secretary, Sports, youth affairs and culture	Member
Secretary, Forest & Environment	Member
Project Director, Skill Development	Member
Regional head, State Lead Bank	Member
Chairperson, CII Jharkhand Chapter/FICCI/ASSOCHAM/JCCI	Member
Chief, UNICEF State Office	Member
Director, Industry	Member Secretary
Representative of 5 private sector companies & 5 CPSE /State PSUs	Nominated by state government

The Governing Body can extend a special invite to representatives from other departments and companies/CPSEs/State PSUs as required.

The Governing Body will meet twice in a year or as required.

4.2 The Functions of CSR Governing Body

The main functions of the Governing Body at the State are:

- Review the annual CSR expenditure of Companies in Jharkhand, based on the CSR Report of the Companies, as per Section 8 of the CSR Rules, 2014.
- Advise the companies on the CSR activities and suggest them to take up interventions as per **Annex-1**.
- Honour companies for outstanding CSR work at state and district level.

5. Executive committee

There will be an Executive Committee at state level chaired by the Secretary, Industries. It will meet quarterly or as required. The Executive Committee will report to the Governing Body.

5.1 Constitution of the Executive Committee will be as follows:

Secretary, Department of Industry	Chairperson
Director, Department of Industry	Member Secretary
Chief, UNICEF State Office	Member
Representatives of private sector companies	Member (3)
Representatives of CPSEs/State PSUs	Member(3)
Representatives of Industry Associations	Member (2)

5.2 Functions of the Executive Committee

The Executive Committee will be assisted by the Secretariat.

- Review annual work plan of CSR activities in the state – with outlay, specific activities/interventions, outcomes, outputs and geographical area - based on the annual CSR work plan submitted by each company in the beginning of the year, as per Section-6 of the CSR Rules, 2014.
- Approve model CSR plan for model village/gram panchayat, that could be taken by companies under CSR
- Monitor/review progress of the CSR activities of the companies regularly as per the state annual work plan
- Engage with companies, business bodies like CII, FICCI, ASSOCHAM& Chamber of Commerce on issues relating to CSR.
- Formulate guidelines on issues relating to CSR

6. District CSR Committee

There will be District CSR Committee at district, chaired by DC. It will meet twice in a year or as required. It will report to the Executive Committee.

6.1 Constitution of the District CSR Committee will be as follows:

Deputy Commissioner (DC)	Chairperson
DDC	Member
Civil Surgeon (CS)	Member
District Social Welfare Officer (DSWO)	Member
District Superintendent of Education (DSE)	Member
Executive Engineer, DW&S	Member
District Planning Officer (DPO)	Member
District Welfare Officer	Member
Representative of Chamber of Commerce	Member
Representatives of 5 major companies in the district	Member (To be nominated by DC)

The District CSR Committee may invite representatives from other companies/CPSEs/State PSUs as required.

The District CSR Committee will meet quarterly or as required.

6.2 Functions of the District CSR Committee

The main functions of the District CSR Committee is to monitor CSR activities in the district. Other functions are:

- Monitor annual work plan of CSR activities in the district – with outlay, specific activities/interventions, outcomes, outputs and geographical area - based on the annual district CSR work plan.
- Review the annual CSR expenditure of Companies in the district, based on the CSR Report of the Companies.
- Advise the companies to take up suggested CSR activities as per **Annex-1** in most backward areas.
- Monitor/review progress of the CSR activities of the companies regularly during the year.
- Provide regular reports to CSR Governing Body on CSR in the district.

7 CSR Secretariat

The CSR Council will have a Secretariat to support the Executive Committee. The Secretariat will be headed by the Director, Department of Industry.

7.1 Constitution of the CSR Secretariat will be as follows:

Director, Industries	Head
Deputy Director & Head, CII Jharkhand	
Consultants/Specialists on M&E, Sectoral specialists etc	5

7.2 Functions of CSR Secretariat

The functions of the CSR secretariat are to:

- Provide technical support to the Executive Committee.
- Collect annual CSR Report of companies as per Section 8 of CSR Rules, compile information on CSR policies of companies as per Section 6 of the Rules and compile information on CSR Committees in Companies as per Section 5 of the CSR Rules (**Annex-4**).
- Provide technical support to companies in planning and monitoring of CSR activities.
- Map CSR activities of companies in the state and upload it in the website of the Industry department.
- Estimate the annual amount of CSR activities in Jharkhand based on the net profit and turnover of companies in Jharkhand
- Support the Industry department on all matters relating to CSR.

- Support Industry department to liaise with business bodies like CII, ASSOCHEM, FICCI and Chamber of Commerce on CSR.
- Liaise with the CSR hub in TISS Mumbai for CSR projects of Central Public Sector Enterprises and with the Institute of Company Affairs in Delhi for CSR projects of other companies
- Provide regular updates on new policies and programmes on CSR.
- Organize capacity building programme on Child Rights and Business Principles (CRBP) and CSR for companies in planning, monitoring and implementation of CSR in Jharkhand.
- Develop capacity building training modules on CRBP and CSR.
- Set up a knowledge management centre on CSR with all documents, policies, reports, studies and laws.
- Conduct studies/surveys related to CSR; research and documentation
- Develop a website to house CSR related resources.
- Identify best practices on CSR.
- Identify and support innovations under CSR at state and district level.

8. Coverage

The CSR Council will cover all companies - private, public & government – and all districts of the state.

9. Duration

The CSR Council will function for a period of 20 years in the first phase and will be extended further, as required

BY ORDER OF THE GOVERNOR OF JHARKHAND

Himani Pande,
Secretary to the Government

Annex-1**Suggested CSR activities***

Activity/intervention
Anganwadi centre
Construction of toilets/ prefabricated toilets per AWC-one-time cost
Renovation of anganwadi centres (repairs, painting boundary wall etc.) per AWC- one –time cost
Supplies to anganwadi centres (rubber mats, plastic chairs, plastic tables, black board, weighing scale, soap, nail cutter) per AWC-- one –time cost
Tiling the floor of AWC with vitrified tiles (300 Sq. ft. x Rs. 100) per AWC - one –time cost
Support AWCs for pre-school education per AWC with material and community volunteer per AWC per annum
Therapeutic food for all SAM children in one block (Rs 3000x 300 children) per annum
Health
Renovation of health sub-centres (repairs, tiling floor, labour room, toilet, white washing etc.) + Supplies like labour table – one- time cost
Solar panel and lamps at the health sub-centres per HSC- one –time cost
Health check-up in hard to reach areas/PTG villages monthly (doctor, nurse, medicines and routine immunisation) to cover 20 villages with one visit per month per annum
Procurement of equipment (radiant warmers, oxygen concentrator, etc) for special new-born care unit (SCNU)
Insecticide treated mosquito nets for households in malaria affected/hard-to-reach one PTG village (Rs. 500 X 100 HH) - one –time cost
Ensure 100% routine immunization, breastfeeding, birth registration, institutional delivery etc through a village volunteer to help of Sahiya and AWW (Rs. 3000 pm x 12 months + supervision and training cost of Rs. 14000 per annum) per annum per village
Weekly Asha Radio program on health and nutrition to cover 10 lakh women in 30,000 villages in the state (including production and broadcast cost) per annum
Education
Repair/maintenance of KGBV, Welfare schools, Observation homes - minor repairs, white washing, toilets in schools, playgrounds, etc- per school
Supplies for KGBK/welfare schools/observation homes-beds, blankets, bed sheets, mosquito nets, furniture, utensils, library, computer lab, science lab, indoor games for recreation room, nutrition/diet, medical check-ups, etc- per school
Supplies for Zilla& Welfare schools -(furniture, black boards, library, computer lab, science lab, indoor games for recreation room, nutrition/diet, medical check-ups, etc) per school
Scholarships to meritorious students (10 students per school) for higher studies - per school per annum

Government schools
Repair, restoration and maintenance of toilets per school
Picture dictionaries for 150 schools in a block, in tribal languages, for use in class 1 and 2 (150 schools X 6 sets)
45 -day reading programme every year for 9,000 students of class 3-5 in 150 schools in a block with support of regular teachers per school, material and monitoring
Tutorial support for students in hard-to-reach and tribal areas through village volunteers per school- 10 months. per annum
Residential bridging programmes of 11 months for 100 out-of-school girls in most marginalized communities on the lines of MSK of MahilaSamakhya per annum
Meena radio for life skills development covering 15 lakh children in 13,000 upper primary schools in the state, including production cost, air time charges and radio sets for schools per annum
Centralized kitchen for Mid-day meal- in line with ISKCON in Saraikella district. One centre to cover 10,000 students in 100 schools- one –time cost
Drinking Water & Sanitation
Make village open defecation free by constructing 100 household toilets, leveraging funds under NBA plus social mobilization, mason training, BCC, preparation of project report, follow up after ODF, etc, through animators . Rs 12 lakh will come from SBM. - one –time cost
Set up community pipe water scheme (well or bore well + pump house) with one water supply point in each house including and maintenance cost for 3 years per village. Rs. 20 lakh to come from NRDWP. one –time cost
Water purification plant per gram panchayat (where water is contaminated with fluoride or arsenic or there is no source for safe water with maintenance for 3 years) for a gram panchayat of 1000 HH. one –time cost
Community toilet with maintenance at key locations cost – Haat, bazars, in townships, highways -per location. Rs 5 lakh will come from SBM. one –time cost
Planning and Development
SMS monitoring system to monitor services like PDS, NREGA, School, ICDS, PHC etc. with mukhiyas in 1,000 gram panchayats in the state on the lines of SMS based monitoring of MDM in Dhanbad district) - one –time cost
Solar lamp for community meeting place, electrification by solar energy per village. one –time cost- one –time cost
Up gradation of connecting road in the village
Industry & skill development
Skill development programme for youth for 3 months on the lines of Pan IITian (Gumla, East Singhbhum & other districts) for 100 youth. Per annum
Skill development of rural artisans and linking them with Jharkhraft one time cost
Art, Culture & Sports
28 residential & 104 day boarding schools
Repair/maintenance of residential & day boarding schools - minor repairs, white washing, toilets in schools, playgrounds, etc- per school

Supplies for residential & day boarding schools - beds, blankets, bed sheets, mosquito nets, furniture, utensils, library, computer lab, science lab, indoor games for recreation room, nutrition/diet, fitness centre, medical check-ups, etc- per school
Sponsorships for sports persons (5 per school) for state/national level sporting events - nutrition/diet, uniform, shoes, kit, travel & stay – annually
Art & Culture
Repair, restoration, renovation and conservation of places of cultural significance – infrastructure, boundary wall, approach road, lighting, landscaping, beautification, drinking water facility, etc
Other
Women empowerment activities (literacy/legal education, etc) on the lines of Jagjagi kendras of Mahila Samakhya. per village
Plantation of 100 trees per village and maintenance for 3 years per village per annum for 3 years

*The above list is illustrative in nature. The Governing Council will have the authority to include additional activities as per the Section 135 of the Companies Act.

Annex-2

Section 135 of Companies Act

Section 135 of the Companies Act is as follows:

- (1) Every company having net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more or a net profit of Rs 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
- (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
- (3) The Corporate Social Responsibility Committee shall: (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time.
- (4) The Board of every company referred to in sub-section (1) shall: (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and (b) ensure that the activities as

are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.— For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

Annex-3

Guidelines on CSR & Sustainability for CPSEs by Department of PSEs dated April 2013

1.5.1 Every year, each CPSE shall with the approval of its Board of Directors make a budgetary allocation for CSR and Sustainability activities / projects for the year. The budgetary allocation will be based on the profitability of the company. More specifically, it will be determined by the Profit After Tax (PAT) of the company in the previous year as shown here under:

PAT of CPSE in the previous year	Range of Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)
(i) Less than Rs. 100 Crore	3% - 5%
(ii) Rs. 100 Crore to Rs. 500 Crore	2% - 3%
(iii) Rs. 500 Crore and above	1% - 2%

For all CPSEs having PAT above Rs. 500 Crores in the previous year, the range of budgetary allocation for CSR and Sustainability activities has been raised to 1%-2%. All CPSEs shall strive to maximize their spending on CSR and Sustainability activities and move towards the higher end of their slabs of budgetary allocation.

Annex-4 (CSR Rules)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY,
PART 11, SECTION 3, SUB-SECTION (i)]

Government of India, Ministry of Corporate Affairs

Notification

New Delhi, dated 27th February 2014

G.S.R. - (E) - In exercise of the powers conferred under section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely: -

1. Short title and commencement. (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Rules, 2014.
(2) They shall come into force on the 1st day of April, 2014.

2. Definitions - (1) In these rules, unless the context otherwise requires,

- (a) "Act" means the Companies Act, 2013;
- (b) "Annexure" means the Annexure appended to these rules;
- (c) "Corporate Social Responsibility (CSR)" means and includes but is not limited to:-
 - (i) Projects or programs relating to activities specified in Schedule VII to the Act; or
 - (ii) Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will cover subjects enumerated in Schedule VII of the Act.
- (d) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act.
- (e) 'CSR Policy' relates to the activities to be undertaken by the company as specified in Schedule VII to the Act and the expenditure thereon, excluding activities undertaken in pursuance of normal course of business of a company;
- (f) "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following namely:-
 - (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
 - (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act;

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared & accordance with the provisions of the Companies Act, 1956 (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and

loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act.

(2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Corporate Social Responsibility.

(1) Every company including its holding or subsidiary, and a foreign company defined under clause (42) of section 2 of the Act having its branch office or project office in India, which fulfills the criteria specified in sub-section (1) of section 135 of the Act shall comply with the provisions of section 135 of the Act and these rules:

Provided that net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with the balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the act.

(2) Every company which ceases to be a company covered under subsection (1) of section 135 of the Act for three consecutive financial years shall not be required to –

(a) constitute a CSR Committee; and

(b) comply with the provisions contained in sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of section 135.

4. CSR Activities.-

(1) The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.

(2) The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise:

Provided that-

(i) if such trust, society or company is not established by the company or its holding or subsidiary or associate company, it shall have an established track record of three years in undertaking similar programs or projects;

(ii) the company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

(3) A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with these rules.

(4) Subject to provisions of sub-section (5) of section 135 of the Act, the CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.

(5) The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.

(6) Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the company in one financial year.

(7) Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

5. CSR Committees.-

(1) The companies mentioned in the rule 3 shall constitute CSR Committee as under:-

(i) an unlisted public company or a private company covered under subsection (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director ;

(ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;

(iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.

(2) The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

6. CSR Policy.-

(1) The CSR Policy of the company shall, inter-alia, include the following, namely:-

(a) a list of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and

(b) monitoring process of such projects or programs;

Provided that the CSR activities does not include the activities undertaken in pursuance of normal course of business of a company.

Provided further that the Board of Directors shall ensure that activities included by a company in its Corporate Social Responsibility Policy are related to the activities included in Schedule VII of the Act.

(2) The CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

7. CSR Expenditure - CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act.

8. CSR Reporting.-

(1) The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.

(2) In case of a foreign company, the balance sheet filed under sub-clause (b) of sub-section (1) of section 381 shall contain an Annexure regarding report on CSR.

9. Display of CSR activities on its website. -

The Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company's website, if any, as per the particulars specified in the Annexure.

(File No. 1/18/2013-CL.V)

Renuka Kumar,
Joint Secretary to the Government of India
